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Preparatory process for the Conference

PROPOSALS FOR ITC'S COURSE OF ACTION IN FOREIGN TRADE DEVELOPMENT FOR LDCS IN THE 1990s

Contribution by the International Trade Centre UNCTAD/GATT */

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I. INTRODUCTION

This paper has been prepared in response to General Assembly Resolution 42/177, which calls on the responsible organizations and bodies of the United Nations system to submit a paper containing a review of the implementation in the 1980s of the Substantial New Programme of Action (SNPA) within their fields of competence and to put forward proposals for future action as an input to the preparations for the second Conference on least developed countries (LDCs).

II. FOREIGN TRADE AND DEVELOPMENT IN LDCS IN THE 1980s

A. General economic performance

Of the 42 countries identified as LDCs by the United Nations 1/, 13 are landlocked and 9 are small island states. The great majority are monoculture in the sense that their main exports comprise one or a few primary commodities or minerals and hence have a very narrow export base. Their populations have been growing very rapidly and by 1987 they had an estimated combined population of 390 million. Some of these countries have been faced with both internal and external factors that have not been conducive for growth and development to be sustained at an adequate level on a long-term basis. As a result, these countries were faced with slow, and for some a negative, growth in their economies: the number of LDCs increased from 36 countries in 1981 to 42 countries in 1988.

The LDCs have greatly suffered from vulnerability to declines in the prices of their basic commodity exports. The value of these exports declined from $US 6.1 billion in 1980 to $US 5.5 billion in 1986. Being primarily commodity dependent countries (commodity exports constituted about 70 per cent of the total foreign exchange earning in 1980 and about 68.7 per cent in 1986), LDCs have felt the most severe impact of the decline in commodity prices. Between 1984 and 1987, for example, prices of non-oil primary commodities exported by sub-Saharan African countries fell by 8 per cent, offsetting the 1983-84 price gains 2/.

A healthy international trading environment is important for strong economic growth in the least developed countries. Although their combined share of world trade is less than 0.5 per cent of exports and less than one per cent of imports, foreign trade is exceptionally important for each individual LDC: they have very small domestic markets and foreign trade constitutes well over 30 per cent of GNP in the majority of them.

B. The external trade situation in LDCs in the 1980s

1. Exports

Export growth not only contributes directly to economic growth, but more important, also permits more imports and a rapid modernization of production. The result is efficient domestic industry that meets the market test of international competition.

1/ The LDCs are: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Yemen, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haïti, Kiribati, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar (Burma), Nepal, Niger, Rwanda, Samoa, Sao Tomé and Principe, Sierra Leone, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen Arab Republic.

2/ UNCTAD, Trade and Development Report 1988.

Although there has been a modest expansion in the volume of LDC exports during the 1980s (the volume index of exports increased from 104 in 1981 to 133 in 1987) the value of their exports decreased from $US8.7 billion in 1980 to $US7.69 billion in 1985 as a result of sharp price declines, but improved to an estimated $US9.3 billion in 1988 3/.

Over the period 1980-85, falling export earnings and other balance of payments difficulties obliged half of the LDCs to cut back on imports, hence directly sacrificing future economic growth. The commodity concentration of exports is also exceptionally high; where three of the most important export items of ten LDCs constitute more than 70 per cent of their total export earnings and in a few countries more than 90 per cent, e.g. Sao Tome and Principe, where cocoa, copra and palm kernel constituted 90 per cent of export earnings in 1986 and Uganda where coffee, cotton and tea constituted about 98 per cent of the total export earnings in 1986.

2. Imports

The imports of the LDCs are more than twice the value of their exports, if measured on an f.o.b basis. In terms of value, imports declined from $US17.2 billion in 1980 to $US16.5 billion in 1986. This decline partly reflects the falling prices of fuel imports, although prices of manufactured imports continued to rise, and partly a reduction in import volumes. In terms of volume, LDC imports have declined, from a unit volume index of imports of 111 in 1981 to an estimated 103 in 1988 4/.

The structure of LDC imports changed significantly in the 1980s with higher imports of fuels taking advantage of the lower prices and significant reductions in consumer and capital goods imports which threaten LDC growth rates, both now and in future years. The largest decline occurred in consumer goods imports, where in some LDCs, e.g. the United Republic of Tanzania, consumer goods imports as a proportion of total imports declined from over 30 per cent in the mid-70s to less than 10 per cent in the mid-80s. However, as more and more LDCs embarked on structural adjustment programmes in the mid- to late 1980s, the structure of imports is likely to change further, initially in favour of consumer goods, but later to intermediate and capital goods as the economies attain an adequate level of consumer goods imports.

C. Some policy changes in the LDCs in the 1980s

The experiences of the 1980s have led many developing countries including LDCs, to reconsider their approach to development. The particular difficulties which the latter face in regard to both internal and external disequilibria have obliged them to initiate trade policy changes. Many have also opted to undertake more fundamental policy reforms aimed at enhancing the efficiency and productivity of their economies.

In most cases, the package of policy changes and adjustment measures include: liberalization of the pricing and export marketing of agricultural commodities as a means of stimulating production; streamlining, liquidating or privatizing parastatal enterprises; promoting and facilitating the activities of the non-governmental sector; reducing public consumption and subsidies; restructuring the money supply and increasing interest rates; increasing public revenue by improving tax collection and raising tax rates and fees charged for public services; trade liberalization and currency depreciation.

3/ UNCTAD, Handbook of International Trade and Development Statistics, 1988 p. 13

4/ UNCTAD, Ibid.

In addition, other impediments to trade development such as poor export services, lack of trained personnel, poor import management etc, have to be tackled in order for these policy changes to produce the intended results on exports.

As regards imports, measures have been taken in a number of LDCs with a view to eliminating distortions in the pricing of imported goods, thereby encouraging an efficient allocation of resources in import competing activities. Such measures include: growing recourse to the secondary foreign exchange market (as compared to the official market) to finance foreign trade transactions (Bangladesh, the United Republic of Tanzania).

These examples of policy initiatives in selected LDCs serve to illustrate the attempts which have been made to streamline policies in order to improve their external sectors. It should, however, be recognized that these countries have been facing very unfavorable external conditions during the 1980s and a change of policy may not be enough to improve the situation. Their efforts to adjust to these circumstances by improving their national trade policies should, therefore, receive increased support from the international community.

III. ITC ACTIVITIES IN THE LDCS IN THE 1980s

In the implementation of the SNPA for the least developed countries, the International Trade Centre UNCTAD/GATT (ITC) carried out a large number of activities in LDCs in the 1980s. The principal means by which ITC approaches technical co-operation with LDCs has been first to send exploratory missions to assist these countries to identify the problems related to trade promotion, determine priorities for projects for technical co-operation and then assist in the implementation of the identified projects. In the countries where ITC has technical assistance projects with a resident project co-ordinator, the officer also assists in the identification and implementation of day-to-day problems as they relate to trade development. In the 1980s approximately 30 per cent of ITC's resources were devoted to technical co-operation projects with LDCs.

There has been a significant increase in ITC technical co-operation with LDCs in the 1980s. In 1980, for example, LDCs as a group received assistance from ITC at a total value of $US 3 million, including regional and interregional projects. In 1988 this amounted to $US 6.5 million an increase of about 115 per cent over the 1980 level. The largest increase was registered in regional and interregional projects whose value increased from $US 660,801 in 1980 to $US 2.69 million in 1988, or an increase of over 300 per cent over the period.

The establishment of intra-regional trade information networks has been one of the main ITC activities since the mid-1980s covering regional organizations such as CEAO, ECOWAS, PTA and SADCC. Several fora have pointed out that lack of information flow was a major constraint to intra-regional trade, and in order to take advantage of the larger markets formed by these regional groupings the flow of information between the countries was absolutely necessary.

It is projected that a larger percentage of ITC technical co-operation resources will be devoted to technical co-operation programmes benefiting a greater number of LDCs in the 1990s, particularly through country, regional and interregional programmes.

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In an attempt to ameliorate some of the main problems, ITC activities in the 1980s were aimed at fulfilling the following main objectives:

(a) Establishment or strengthening of institutional infrastructure for trade development;

(b) Development of new export products including the promotion of commodity exports and identifying new export markets for both traditional and non-traditional products;5/

(c) Improvement of the availability and dissemination of trade information on exports and imports, to the foreign trade sector;

(d) Provision of specialized export trade services to the export sector;

(e) Design of appropriate training programmes aimed at human resource development for trade development; and

(f) Improvement of import operations and techniques at both government and enterprise level, including facilities, procedures and practices for more effective import management.

The above objectives define the core of ITC's strategy for technical co-operation in LDCs, though priorities may vary from country to country. It should be noted that ITC activities have mainly been implemented through technical co-operation projects and technical services at country, regional and interregional levels.

A. Institutional infrastructure for trade development

Establishment and/or strengthening of the institutional infrastructure for trade promotion and development has been one of the key areas of ITC's programme of technical co-operation in LDCs. Practically all projects with the LDCs had substantial components concentrated on this task. Activities were increasingly geared to the improvement of capacity for promoting foreign trade through better planning and formulation of programmes and strategies, as well as improving co-ordination mechanisms between policy makers and the business community.

Resident advisers supported LDC governments in their efforts to strengthen institutional mechanisms for trade promotion and development, improve co-ordination between the public and the private sectors, and formulate medium-term export development strategies. Research activities on export promotion and development structures most suited to the special needs of the LDCs were initiated, and will be continued in the future.

B. Export product and market development

Product and market development activities were generally geared to assessing LDCs' supply and export potential in various products; the formulation of export development and promotion strategies for selected priority products on target markets, and implementation of export development and marketing plans with exporters.

5/ Unless otherwise specified, all references to exports include intra-subregional and intra-regional trade flows.

Through the technical assistance provided by these activities, LDCs were generally able to assess the supply situation of their various products and hence their prospects for the future, vis-à-vis the current world supply and demand situation. On this basis, more realistic and detailed formulation of national export development plans and their implementation schedules in selected target markets were possible. LDCs participating in economic integration or custom union groupings have also found the supply-demand surveys useful, not only as a means to identify constraints to trade expansion, but also as a tool to promote intra-regional trade by, inter alia, facilitating buyer-seller meetings at enterprise level for pre-selected product groups.

In its approach to the problem of commodities and in addition to its more specifically targeted technical co-operation activities in product and market development of processed and semi-processed commodities at LDC country level, ITC has developed its technical co-operation activities through regular consultations with international organizations such as FAO, GATT, UNCTAD and UNIDO and with the relevant international commodity organizations i.e. the International Coffee Organization (ICO), the International Jute Organization (IJO), the International Cocoa Organization (ICCO), Asian and Pacific Coconut Community (APCC), International Tropical Timber Organization (ITTO), and the International Institute for Cotton (IIC). ITC has concentrated on IPC commodities 6/ and products on which it has accumulated knowledge and experience. In addition, projects on pepper and pepper products, and on silk and silk products are being implemented.

With regard to tropical beverages (coffee, cocoa and tea), ITC carried out the following activities:

For coffee the Centre provided an integrated package of assistance to export marketing boards and producers' organizations in two well defined areas: (a) Identification of problem areas and diagnosis of remedial actions. Sectorial studies covering the entire operations of the coffee sector were carried out in Burundi, Central African Republic, Ethiopia, Haiti, Malawi, Sierra Leone and the United Republic of Tanzania. (b) Development of technical skills within the coffee industry through a workshop on trading and promotion of coffee which included seven LDCs and in-service training with major traders and roasters in Europe covering six LDCs, i.e. Burundi, Ethiopia, Haiti, Malawi, Uganda and the United Republic of Tanzania.

For Tea, ITC carried out a preparatory assistance project with the aim of defining priorities for export development activities and organized a symposium on the formulation of export development projects in co-operation with the Tanzanian Tea Authority, in order to review research findings and to define priorities for future co-operation efforts in this field. In addition, it carried out activities aimed at developing an alternative bulk tea packaging system. A monograph on the financial aspects of tea production for export was prepared and a symposium held on this subject. Follow-up activities in the form of advisory inputs and dissemination seminars were carried out in Malawi and the United Republic of Tanzania.

6/ The 18 IPC commodities are bananas, cocoa, copper, hard fibres, jute and jute products, meat, rubber, tea, tropical timber, bauxite, coffee, cotton and cotton yarn, iron ore, manganese, phosphate rock, sugar, tin and vegetable oils.

With regard to cocoa, ITC carried out projects focusing on the following: (a) Publication of a commodity handbook Cocoa - A Trader's Guide, describing the commercial practices, export procedures, and marketing channels in international trade, and dissemination of information contained in the Guide in the cocoa trading countries. A number of dissemination seminars took place mainly in the smaller cocoa producing countries, including LDCs (Haiti, Sierra Leone, Togo and Vanuatu). (b) In-service training for cocoa traders and a workshop in Geneva and London on cocoa marketing, management and trading for senior executives from cocoa producing countries. (c) Preparation of a case study on cocoa trading to accompany the ITC's commodity handbook on cocoa.

Other commodities covered include jute and cotton.

With regard to Jute and Jute products, ITC carried out market promotion activities in Western Europe and Japan. The activities in Europe consisted of promotional activities in selected countries for carpet backing, yarn, wall coverings, bags, and geotextiles. The activities in Japan concerned a new 30kg jute rice bag and covered three main elements, i.e. tests and demonstrations for producers, consumers, co-operatives, wholesalers, etc; test support and public relations/advertising in a number of trade journals and the printing and selective distribution of documentation materials. As a result of this project, the Japanese Food Agency approved the jute rice bag for use by the agricultural sector, thus activating demand for this new product. In addition, some activities for the promotion of jute geo-textiles (case history studies) were carried out in the USA. One buyer-seller meet was organized in Europe in May 1989.

On Cotton, ITC activities centred on the preparation of a trainers manual on cotton trading and on organizing a workshop in Geneva, Liverpool and London on commodity trading operations for cotton.

C. Export trade information

Provision of trade information and market intelligence for exporters was one of the major activities of ITC, and all LDCs benefited from this service. In nine countries, i.e. Botswana, Burkina Faso, Burundi, Djibouti, Malawi, Mozambique, Nepal, Lesotho and Rwanda, where ITC has a trade promotion project, trade information-cum-market intelligence services were established. Inputs in the form of consultancies and advisory services: equipment, including electronic data processing equipment, documentation and subscriptions to trade journals were provided . Both tailor-made in-service training and general seminars in trade information were provided at ITC headquarters to 17 candidates from nine LDCs between 1985 and 1988. The microfiche series of the Import Tabulation System (ITS) for 1983-87 was produced in October 1988 and disseminated to 56 organizations in LDCs covering 17 countries, i.e. Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Democratic Yemen, Djibouti, Ethiopia, Lesotho, Malawi, Mauritania, Nepal, Niger, Rwanda and Tanzania. The ITC Market News Service (MNS), which specializes in supplying current market information (price and market trends) on four product groups: fresh fruits and vegetables, cut flowers, spices and raw hides and semi-tanned leather and skins, provided weekly information by telex, telefax, electronic mail, bulletin boards and/or by mail to 30 subscribers in LDCs, on the above mentioned products. In response to increasing demand, MNS plans to add tropical timber products and bulk-packed concentrated fruit juices to its product coverage in the early 1990s.

D. Specialized export support services

ITC's technical co-operation activities in this field were directed at improving administrative and technical skills of the LDCs in the following areas: export quality control, export packaging, export finance, costing and pricing, trade fairs and commercial publicity, legal aspects of foreign trade, export co-operation schemes for small and medium-sized enterprises, export-oriented joint ventures, international physical distribution of goods and export credit guarantee.

In this case, ITC helped in creating or strengthening services directly or indirectly concerned with the promotion of LDC's foreign trade; thus contributing to the improvement of these countries' general infrastructure for trade development.

During the decade under review specialized projects, advisory missions and seminars were organized in most of the LDCs. Training materials and technical manuals, monographs and practical guides were prepared and made available to the LDCs.

E. Import operations and management

Amongst the internal factors detrimental to effective import are: cumbersome import procedures; inadequate supply management systems and organization structures; poorly trained staff in all aspects of the import process; insufficient information on international supply markets and supply conditions; inappropriate procurement specifications; insufficient understanding of international commercial practices, contracting procedures and methods of quality assurance in imports; and inadequate materials management practices (e.g. handling, warehousing, stock management, distribution and maintenance).

ITC import assistance in the 1980s has been provided to governmental organizations responsible for the import regime and to public and private sector importers. LDCs have been assisted to overcome internal weakness in import management and also to attenuate the negative impact of external factors, through:

(a) Assisting importing organizations in LDCs to improve management systems and methods relating to planning of import requirements and formulation of technical specifications, international procurement, shipping arrangements, quality assurance of imported goods and materials management.

(b) Training of local staff responsible for imports at all levels. ITC has developed a body of technical and training materials in imports geared towards the needs of LDCs. Long-term national import training programmes have been set-up in various LDCs, and staff from LDCs have participated in numerous regional and interregional import training events. ITC has also organized on-the-job import training programmes in LDCs to deal with specific problems and requirements.

(c) Assisting importing organizations to set-up in-house import information units required to keep abreast of international market conditions and sources of supply. Assistance in import information has also been given to chambers of commerce and similar organizations serving the business community.

(d) Streamlining and rationalization of import and procurement procedures to ensure that they are more conducive to effective import management.

F. Human resource development for trade promotion 7/

Training in export promotion and import management has always been an important activity of ITC, and large numbers of participants from LDCs took advantage of the training courses, workshops, seminars, etc, organized by ITC in the 1980s. The emphasis has been on skills development in export marketing and import management and specific trade promotion techniques of particular relevance, in terms of products and markets to the countries concerned. For example, about 800 candidates from LDCs participated in the various courses, including the regional and in-country training courses, conducted by ITC in 1988. In support of these activities ITC produced and distributed in the 1980s a comprehensive range of training materials. In countries where national training institutions could implement training programmes ITC has co-operated in the strengthening of their capacities, through workshops for trainers in pedagogic and technical skills and preparation of training materials including case studies and curricula development. On-the-job training of counterpart staff in the public sector of some LDCs often resulted in enhancing their technical capabilities and contributed to the upgrading of their careers, wherein some now hold key posts in the government or in the parastatal sector.

IV. TRADE DEVELOPMENT PROBLEMS IN THE LDCS AND OUTLOOK FOR TRADE DEVELOPMENT IN THE 1990s

This chapter comments on certain trade development problems of the LDCs, e.g. structural problems, weaknesses in policy formulation, limited export services, poor import management, shortage of trained personnel, etc. It also presents a review of the outlook in the 1990s, taking into account the national trade environment, the international situation and the experiences of the 1980s.

A. Problems related to trade development in the LDCs

LDCs have faced many problems in their foreign trade development, some of which are external, while others are internal and for which they have some flexibility in resolving. However, the problems are as varied as the countries themselves. There are on the one hand countries which have fairly sophisticated structures with well developed institutions, whose problems would be different from those of small landlocked countries with poorly developed institutions. On the other hand, there are the very small island LDCs whose problems would be different from the larger LDCs. Hence, the nature and intensity of the problems relating to foreign trade development will vary in different countries. Still, there are certain problems that are common to the LDCs as a group and some of these are enumerated below. They can be grouped into four main categories: 1. Structural problems; 2. Institutional problems; 3. Problems related to policy; 4. Other problems.

The last category can further be subdivided into: (a) Enterprise level problems; (b) Problems related to the provision of export services; (c) Transport problems; (d) Problems of import management; (e) Problems related to human resource development.

7/ Human resource development cuts across all facets of trade development and hence in addition to this paragraph is reflected in various other sections in this paper.

1. Structural problems

The majority of LDCs rely on two or three export products for over 70 per cent of their foreign exchange earnings. Furthermore, they have limited market outlets for their products that in addition may be handled inefficiently by marketing boards, some of which are faced with managerial and financial problems as well as limited knowledge of new trends in commodity trading, poor marketing techniques and limited market information. As a result of the narrow export base and limited market outlets, these countries often face instability in export earnings which greatly affects their ability to import essential goods and hence adversely affects their development efforts.

2. Institutional weaknesses

As a result of the severe economic problems in the 1980s and the subsequent need to restructure LDC economies, the need to generate increased foreign exchange has attained a high degree of importance. However, resource allocation, both in terms of budgetary allocations for development expenditure and development assistance, by most LDCs is not commensurate with the prominence allegedly given to the foreign trade sector. Most LDCs have pursued their economic development strategies through multi-year national development plans focusing on sectors such as agriculture and food security, health, energy, industry, and transport. While recognising the obstacles to successful plan implementation caused by the critical shortage of foreign exchange, few plans assigned priority to the rationalisation of import regimes to conserve foreign exchange or to earn additional foreign exchange through a systematic programme of export development and promotion. At the level of government there is often limited involvement in export efforts, inadequate support systems for export promotion and import rationalization and little effort to solve institutional rigidities in trade development. The Ministry of Trade or the designated Trade Promotion Organization often lacks the authority or resources necessary for co-ordinating the trade development activities of the different government and business organizations. There are also serious shortages of resources, e.g, training facilities and trained personnel in the sector.

3. Policy weaknesses

In most LDCs, although mention is made in their development plans that priority should be placed on the promotion of foreign trade, there is usually a lack of clear policy framework for trade development in the plans; and foreign trade is given low priority in terms of resource allocation and policy guidelines.

In particular, there is often a lack of an appropriate macro-economic policy framework conducive to trade development. For example, overvalued exchange rates, rigid mechanisms for the allocation of scarce foreign exchange, cumbersome and sometimes arbitrary means of issuing import licenses have been the important reasons for stagnant or declining export earnings. In an attempt to correct macro-economic policy weaknesses, 23 out of the 42 LDCs had by 1987 adopted stabilization and/or structural adjustment measures to correct imbalances in their economies. However, for these policy measures to be effective in the area of trade development, they should be supplemented with clear guidelines for action by the operators.

4. Other problems

(a) Enterprise level problems

In some LDCs trade development problems at enterprise level begin at the pre-operational stage where there is poor identification and assessment of export oriented investment projects. Such projects are frequently conceived without adequate marketing feasibility studies and in the majority of cases, they have inadequate capital structure which subsequently affects their operations. At the operational level the most serious bottleneck, apart from scarcity of financial resources and organizational systems, is lack of trained and experienced manpower.

(b) Poor export support services

Absence of export services is basically a feature of underdevelopment but the problem becomes more acute in very small countries that have a limited export base because of the diseconomies of organizing such services. As a result, the private sector in many LDCs is underdeveloped and export support services such as trade information, market surveys, commercial publicity, export credit guarantee, product design, standardization, quality control, export financing, packaging and labelling, shipping, insurance and post-harvest handling of some agricultural products, which should have been provided by the private sector, have to be provided by the government. However, as a result of severe shortages of resources and personnel, such services are often inadequately provided and/or very often not integrated in a very structured way.

(c) Poor transport system

The infrastructure in most LDSCs, including the transport network, is underdeveloped and/or poorly maintained. This has serious effects on the foreign exchange earning capability of these countries as exports cannot easily be moved to the port of exportation, which in turn puts serious stress on an otherwise underdeveloped storage system. In such situations for example, post-harvest losses arising from transport and storage problems can be significant. For countries with access to the sea, improved transport networks could often lead to substantial increases in foreign exchange earnings, not only in ferrying their own export and import products but also through transit trade and port handling charges. This would also improve the efficiency of handling foreign trade and the foreign exchange earning capability of the landlocked LDCs.

(d) Poor import management

There is often a lack of recognition in LDCs of the potential for savings through effective purchasing and materials management of imported goods. Imports of LDCs suffer from a lack of clear-cut policies, shortage of financial resources, lack of forward planning mechanisms for import authorizations and foreign exchange allocation, inappropriate organizational structures, lack of external and internal information for adequate import planning and supply management, lack of skilled personnel and limited availability of import supporting services.

Operational problems of import management in LDCs include: (a) Unnecessary costs resulting in over-stocking and out-of-stock situations; (b) Lack of standardization of requirements, hindering consolidation of imports and maintenance of imported equipment; (c) Inadequate tendering procedures; (d) Inadequate terms and conditions of pu chase contracts; (e) Inability to effectively manage import transportation costs and operations, including possibilities for cargo consolidation; (f) Unsatisfactory inspection and control over import shipments; (g) Delays in preparation and processing of import documentation.

The most serious difficulty experienced by LDCs in imports is the lack of access to - and capacity to use - information on internal demand and on supply markets.

Another problem facing LDCs arises from tied imports under financial aid, which often restricts access to competitive suppliers in other countries. As LDCs are in no position to dispense with aid, they face a problem over which they have limited control. However, with better internal organization and advanced planning of imports under aid, it is often possible to improve the utilization of aid facilities.

(e) Shortage of trained personnel in the foreign trade sector

Perhaps the biggest handicap of LDCs in the foreign trade sector is an acute shortage of trained personnel. Foreign trade is a complex matter covering a wide variety of subjects such as market requirements, trends in price fluctuations, freight and insurance, credit and payment terms, import regulations, customs, standards and quality control, and lack of familiarity with these subjects prevents many enterprises from venturing into this sector of the economy. Private traders look to governments for assistance and guidance in these matters, but the demand for experienced personnel is so great that governments are often not able to respond to these requests promptly or effectively. The shortage of trained personnel in foreign trade development is the result of inadequate training in export marketing and trade promotion, limited training institutions, inadequate training materials, limited number of trainers and limited liaison between the training institutions and the business community, which has resulted in training not being oriented towards the needs of the business community.

B. The outlook in the 1990s

Assessment of the medium-term trade outlook for LDCs depends on the assumptions made concerning their domestic policies and the external environment that is likely to prevail. Failure to take appropriate measures to reduce the large external imbalances among the industrial countries could significantly influence the prospects for LDC growth. However, timely and decisive action by the major industrial countries to reduce the imbalance could improve the prospects for sustained growth and price stability in the industrial economies, which would be an important precondition for export growth in the LDCs to be sustained at an adequate level. In a similar manner, further action on the macro-economic policy measures which would include refinement of the policy changes that have been introduced by LDCs concerning the exchange rate regime, price incentive measures, monetary and fiscal policy measures, trade promotion measures, greater role of the private sector and measures aimed at creating a conducive investment climate, would go a long way to increase overall production, and exports.

1. The national trade environment

An appropriate macro-economic policy environment which eliminates price distortions in the domestic economy and provides the necessary price incentives for the productive sectors is essential for any successful trade development strategy. Whatever the level of technical assistance that may be extended to LDCs, if a conducive production environment does not exist, then export development will be severely hampered. An appropriate price structure, when coupled with technical assistance for trade development should lead to the development of non-traditional exports and broaden the export base. Furthermore, no trade development actions will be successful if there is not a clear commitment at the highest level of government towards a national trade development policy.

On the other hand, a more liberalized trade regime would lead to a broader section of the business community dealing with imports as opposed to the often present state controlled arrangements and hence the need for greater technical assistance on import operations and import management. However, the adjustment measures being undertaken by some of the LDCs must be seen as part of a longer term development approach and must take full account of the human dimension.

For long-term economic growth in the LDCs, sustainable development and modernization of agriculture, including the use of new and improved agricultural technologies, as well as strong research and extension services is absolutely necessary, and should form an important part of their reform process.

The role of the private sector as an important engine of growth will feature prominently in the LDCs' adjustment efforts and should continue to be encouraged.

Inflation is another important aspect to be tackled by most LDCs in the reform process if the price incentives are to produce the intended effects on production. In addition, in order to reflect appropriately on the scarcity of capital in most LDCs and to indicate the real cost of money, account should be taken of nominal interest rates; these should be raised above the inflation rates in order to attain positive real interest rates to encourage domestic savings. International interest rates are expected to remain high, as a result of which LDCs will have to rely to an increased extent on their own savings to finance investment as well as debt servicing.

2. The external environment

Several factors, external to the LDCs, will continue to influence their trade development in the 1990s. Such factors include fluctuating commodity prices, trade preferences, the debt situation and the possibilities for regional and interregional co-operation among the developing countries, including the LDCs.

(a) Fluctuating commodity prices

The past and future performance of the commodity sector in LDCs has been and will continue to be influenced by a variety of demand and supply factors. On the demand side, these include the low rate of commodity demand growth in major importing countries, the negative impact of technological and structural changes, and the relatively high levels of consumption already attained in food and tropical beverages in the industrial countries. On the supply side, major factors are the macro-economic policy conditions in commodity producing countries, the high level of agricultural support in

developed market economy countries and the pressure on developing countries to expand exports in order to meet their debt servicing obligations. Monetary factors such as exchange rate instability and high interest rates may also continue to have adverse effects on commodity trade and prices. Another factor is the lack of success of international commodity agreements to stabilize prices, and the increased difficulties in negotiating and re-negotiating them. There are compensatory financing facilities for export earnings shortfalls for commodities, such as the IMF Contingency and Compensatory Financing Facility (CCFF) and the EEC/ACP STABEX, as well as the Swiss Compensatory Financing Facility8/, but these facilities are not sufficient to compensate fully the losses in export earnings arising from the very wide fluctuations in commodity prices.

This calls for the need to improve the supply/demand balance for many commodities inter alia through the stimulation of consumption through generic promotion, exploiting their comparative advantage versus synthetics and increased efforts on research and development, including new end uses for natural products. It also calls for the need to expand technical co-operation activities to support the diversification, processing and marketing efforts of the LDCs.

(b) Trade preferences

The acknowledged success of outward-oriented development, is partly responsible for the move towards market-based policies in most LDCs, although for some there was really no choice as their economies had reached crisis conditions. In the last three to five years many developing countries have taken two important initiatives towards what developed countries have long sought of them. One has been unilateral liberalization of trade restrictions. The other has been a change in the approach to GATT, and more specifically, active participation in the Uruguay Round negotiations. In spite of all these developments and despite the encouraging growth in world trade in recent years, the world's trading system has become markedly less liberal. Governments have reduced conventional tariff protection but have raised other barriers to trade instead. Although the high income countries have recognized the role of trade in promoting growth and industrial development in the low income countries and thus have accorded these countries a variety of concessions and preferences, e.g. GSP and Lomé, the reality which is emerging, particularly in the EEC, is that preferential trade is no longer the centre piece of the EEC/ACP relationship. The mood is "do not rely on preferences, rely on competitiveness"9/. This means that LDC products will have to meet the requirements of the competitive market situation in terms of price, quality and delivery schedules, and this calls for technical assistance to assist LDCs to meet these requirements among others.

(c) The debt situation

The pace of debt accumulation, especially of commercial bank debt, rose sharply after the rise in oil prices in 1973, the commodity boom of 1976/77, and the second oil price rise in 1979. The rise in oil prices in 1979 was a major factor but the subsequent increase in interest rates in a bid to fight inflation in the advanced countries, and lower commodity prices were even more important.

8/ The Swiss Compensatory Financing Facility compensates developing countries' export earnings shortfall for products exported to Switzerland. The Facility works on the same principle as STABEX.

9/ Financial Times, July 1989.

(d) Economic co-operation among developing countries

Many LDCs are either small island states or small landlocked states. Their domestic markets are very small, hence any efforts to form regional or subregional economic groupings would go a long way in enhancing their economic development efforts and should receive the assistance of the international community. Small internal markets and low purchasing power are barriers to international competitiveness and hence the rationale for regional co-operation. As governments have moved to more market oriented policies, at least one impediment to integration has been removed. However, even if agreement on the political aspects could be reached, the benefits of integration will not be attained unless regional transport and communication systems are upgraded. This calls for assistance from the international community to assist LDCs to rehabilitate, improve and upgrade the transportation infrastructure for growth and development to be sustained on a long-term basis.

3. The environment for external trade development

The crux of the export problem in most LDCs is the weakness of their production base. Issues such as identification of the correct markets, establishment of proper trade links, securing the best terms of sale, arise when production of marketable goods is adequate. However, the development of a product for export has to be based on an adequate knowledge of the future market prospects for that product. The LDCs are extremely weak in planning the development of their production base for export because of the diverse elements that are involved in making proper assessments. The production problem itself has three aspects: (a) Weakness in the production of traditional export commodities; (b) Lack of facilities for processing or adding value to these commodities; (c) Lack of alternative production sectors to facilitate diversification.

As noted earlier in this paper, agricultural raw materials and other natural resource based products account for the bulk of the exports of LDCs. The first and obvious step in the promotion of their exports is to revitalize and modernize the production of exportable agricultural and other natural resource based products. Maximum advantage has first to be taken of the production base that already exists in these countries, and therefore the export development strategy should consist of all-out efforts to improve the quantity and quality of production in the traditional agricultural sector. In the case of the United Republic of Tanzania, for example, it has been established that if the quality of coffee exported could be improved, it would raise coffee export earnings by 20 per cent. Since coffee export earnings account for about 35 per cent of the total foreign exchange earnings, an improvement in the quality of coffee exported would increase the total foreign exchange earnings by 7 per cent. The first priority should, therefore, be to make the existing export base viable and efficient, whatever that base may be.

In the period 1990-2000, real prices are projected to remain depressed since only a modest improvement above the present record low is projected in non-fuel commodity prices. The declining trend of beverage prices is projected to be reversed in mid 1990s as supply is reduced in response to continued low price levels. An upward trend may materialize for the prices of some raw materials after 1990 if industrial production in the OECD countries increases and is sustained. Fats and oils and sugar, however, are projected to decline and the downward trend in cereal prices may be resumed. Overall, the evolution of the commodity situation will continue to be affected by a number of other factors, such as income distribution and technological change, which are difficult to predict and which could vitiate the modest improvement referred to above.

With the exception of very few LDCs, the majority have a very limited domestic market, and this means that diversification of their economies into agro-processing and manufacturing has to be geared towards the external market. As a result of the long distances involved between the LDCs and the major markets in Europe, Japan and North America, poor transportation infrastructure, low quality of output, coupled with the growing trend towards protectionism and the fact that some of the LDCs are landlocked, the immediate markets for some LDC products may be in the neighbouring countries. This calls for greater co-operation among the developing countries, including the LDCs, in order to take advantage of the larger market for their manufactured products if transport and other trade development related problems can be solved through technical co-operation assistance. Apart from manufacturing, the scope for expanding other rural based, labour intensive, export-oriented activities does exist and should be explored further.

In the light of the Uruguay Round of Multilateral Trade Negotiations, the creation by the European Community of a single market after 1992 and the possible development of other economic groupings, there is likely to be a changed export marketing environment in the 1990s for which the LDCs should be prepared.

As LDCs broaden their export base through diversification and identification of new export-oriented projects, there will be greater need for ITC's specialized services, which include supply/demand surveys, trade information, improvements in quality and standards, costing and pricing for exports, packaging and labelling, publicity, export finance, legal aspects of foreign trade and export credit guarantee.

In the area of import operations and import management, LDCs will continue to depend heavily on imports including those funded through aid programmes, for their development needs.

The general move towards liberalization of imports will result in reduced needs for technical assistance in the rationalization of import regimes. At the same time, the greater involvement of the private sector in the import process and new international procurement opportunities created by increasing competition between traditional suppliers and potentially new ones, will call for additional skills in procurement and supply management, and a more extensive and up to date knowledge of international supply sources and supply conditions.

There will also be greater complexity of the import process and particularly of import operations due to increased market sophistication and to technological development, affecting in particular imported machinery and equipment but also other imported goods. It will be essential for LDCs to improve their supply market monitoring through access to computerized data bases and other advanced data sources, as such tools will be commonly used by developed and more advanced developing countries.

The LDCs will continue to face acute shortage of trained and experienced manpower in international marketing and trade promotion in the 1990s, hence human resources development will be one of the most important areas for technical assistance in the LDCs.

In addition, training institutions in LDCs are rarely oriented to practical training in trade development and there is weak relationship and/or liaison between the training institutions and the needs of the business community. A special problem in the majority of LDCs is that these countries are monoculture in the sense that they produce one or two

commodities and hence the demand for commodity specific training within the countries is fairly limited. Therefore, effective training on the problems of specific commodities can best be organized at the regional level and taking advantage of regional institutions wherever they exist.

V. PROPOSALS FOR ITC's COURSE OF ACTION IN FOREIGN TRADE DEVELOPMENT FOR LDCs IN THE 1990s

The trade development proposals presented in this chapter should be read against the background presented in Chapter IV, however, they are limited to the future lines of technical co-operation between LDCs and ITC in trade development. In doing so, it is inevitable that reference will have to be made to certain broader issues requiring the competence of other bodies within the United Nations system. The spirit should be of co-operation and every agency should assist the LDCs as much as possible within its field of competence and in co-operation with other agencies.

The one thing which comes out clearly throughout this paper is the very weak production base in most of the LDCs. Proposals for increased technical assistance in trade development in these countries have to take as a first priority ways and means to broaden the production base. An increase in the production base through increases in natural resource based products and identification and assessment of export projects has to take into account the international market situation, as the viability of a project depends on the marketability of the product.

Besides, most of the LDCs have very small domestic markets that cannot sustain increased production on a large scale. While it has been argued that increased production is inextricably linked to marketing and that the market comes first, unless supply constraints can be alleviated and supply capacity can be build up to take advantage of market opportunities abroad, activities oriented to access to markets per se will not result in expansion of exports.

The trade development proposals presented in this paper take into account both short-term and long-term objectives: in the short- term the objectives are to obtain rapid results to solve the critical shortage of foreign exchange. These include: (a) Improvements in natural resource based products including commodities; (b) Increased export marketing of non-traditional products particularly in the neighbouring countries (South-South trade); (c) Strengthening of institutional infrastructure including support services for trade development; (d) Improvements in import operations and import management; and (e) Human resource development.

The long-term objectives are to broaden the production base for export. These include: (a) The development of new products for export; and (b) The promotion of joint ventures involving in particular subcontracting and buy back arrangements.

The fulfillment of the long-term objectives would involve changes in the structure of production and the laws (rules and regulations) governing production in the LDCs. In turn, it means that ITC should get more and more involved in encouraging export oriented production activities, which are inextricably linked to export marketing, and that ITC should liaise closely with UNDP, UNIDO, FAO and ILO.

In trying to ameliorate some of the LDCs' trade development problems discussed earlier and taking into account the environment that is likely to prevail during the 1990s, ITC activities in trade development in the LDCs should focus on the objectives mentioned above. These have been grouped into four main areas:

- Broaden the export base through export production and product and market development assistance, which would include improvements in commodity and other natural resource based production and trade, increased production and improvements in manufactured exports and the promotion of joint ventures.

- Improvements in the institutional infrastructure for trade development including support services.

- Continued activities related to import operations and import management.

- Human resource development for trade development.

A. Export production and market development

1. Improvements in commodity trade

As indicated earlier, the crux of the export development problem in most LDCs is the weakness of their production base. The base which already exists, and which needs to be further developed and promoted, is initially that of commodities, minerals, fisheries and/or forestry products. The vulnerability of LDCs becomes greater because of their dependence on one or two primary products. High priority should, therefore, be given to the broadening of the agricultural and/or natural resource base itself.

ITC activities in the field of commodities in LDCs should include all export market development and promotion efforts. Objectives include:

(a) Expanded participation of LDCs in the processing, marketing and distribution of commodities resulting in increased economic activity in these countries, better utilization of natural resources and higher returns on commodity exports.

(b) Improvements in the quality of commodity exports.

(c) Effective marketing and distribution systems.

(d) Improved trade information systems.

(e) Increased knowledge and skills of LDC personnel in commodity processing and trading.

In order to achieve the above-mentioned objectives, ITC's commodity activities will continue to combine several or all of the following elements: the identification of export opportunities; formulation of strategies for market entry, generic promotional campaigns; supply and demand link-ups; adaptation or development of new export products; provision of trade information services; and the provision of specialized trade development services.

Most of ITC's technical co-operation activities in commodities will be commodity specific. However, work on cross-commodity issues (such as the operation of commodity exchanges - in particular the functioning of futures markets - and the development of training material on commodity trading, export financing for commodities, strengthening of commodity boards, etc) should be given due attention.

Certain technical co-operation needs of commodity exporting developing countries will continue to be addressed mainly through interregional and regional projects, which will complement technical co-operation projects at national level including at enterprise level. It is expected that the activities at national level will gain in importance.

Technical co-operation assistance, particularly in international marketing and export support services, should continue to be extended to other natural resource products such as minerals, marine products, forestry products and horticultural products.

2. Increased production and improvements in processed and manufactured exports

While broadening the agricultural and other natural resource base will facilitate export diversification to some extent, the long-term objective for some LDCs has to be diversification through the development of the manufacturing sector and the development of export services, such as tourism and transit trade. In most LDCs, primary commodity exports will continue to remain a dominant factor in their export trade, but the importance of the manufacturing sector in creating employment opportunities and also of increasing export earnings, along with other benefits, attendant to industrialization cannot be ignored. Given the anticipated global environment and the prevailing conditions in the LDCs, the task of expanding manufactured output, and indeed manufactured exports, is an extremely challenging and complex one. Constraints notwithstanding, substantial progress can be made in these areas given governments' commitment and policy support. The scale and scope for export production in the manufacturing sector obviously varies from one LDC to another. In some, export-oriented manufacturing activities will remain limited by the size of the domestic market. The export promotion strategy in such countries should be to enlarge the range and quality of existing production by introducing improved designs, standardization, quality control, etc; to diversify their regional and international markets and improve their marketing efficiency. In other LDCs there may be scope for the processing of raw materials and agricultural products as well as the establishment of other manufacturing units based on domestic resources. In a few LDCs there may be scope for diversification into altogether new lines of manufacturing. The strategy here should consist of the following main components:

- Country by country review of existing export oriented manufacturing industries.

- Identification and assessment of new export oriented industries, priority given to industries that use local raw materials.

- Improved utilization of existing capacity through tailor-made assistance at the enterprise level in the areas of product and market development.

- Specialized programmes for strengthening and promoting export-oriented small and medium enterprises particularly in rural areas with minimum capital inputs and utilizing existing skills.

- Sustained export/sales promotional inputs covering existing and new markets through sales promotion tours, participation in fairs and exhibitions and well planned buyer/seller meet programmes.

ITC will have to play a lead role in assisting LDCs in their efforts to achieve a substantial and sustained improvement in the export of manufactured products. However, the task of expansion and diversification of export-oriented industries and products will warrant a multi-disciplinary approach. ITC will, therefore, need to work in close co-operation with other concerned agencies in the UN system, including in particular UNDP, UNCTAD, UNIDO, ILO and FAO.

In particular ITC should develop integrated multi-year programmes for selected products of export-interest to LDCs (e.g. cotton products, leather products, tropical timber, handicrafts, etc.). These programmes should be built upon identified export potential taking into account market prospects and requirements and include significant elements of product adaptation and/or production development. These technical co-operation activities should be mainly carried out at enterprise level and be co-ordinated with the work of local trade promotion organizations and industry bodies.

The Centre's research activities should also be geared towards identifying new products and market outlets for least developed countries to help them in their diversification efforts.

In addition, ITC should increase its work in the field of export of technical consultancy services from LDCs. Of particular relevance to these countries would appear to be increasing the awareness of governments to the contribution which this sector can make to the economy and strengthening the existing institutional support in both the public and private sectors and at the enterprise level. Particular attention should be given to the following fields: off-shore computer programming, key punching and electronic data processing, information services and management consultancy.

3. Trade information

Trade information is an essential and integral part of trade promotion. It is essential for the purpose of facilitating and possibly even permitting the promotion of exports and the rationalization of imports of a country and action by its economic operators. However, the organization of an efficient flow of relevant trade information from source to user requires specialized services.

In order to improve access to and use of trade information, ITC's technical co-operation with LDCs in the 1990s should therefore focus on the institutional setting, with particular attention to the training of personnel in selective dissemination of trade information. It should provide guidance and training in the analysis of the information needs of specific groups of users of these trade information services.

ITC should continue its technical co-operation activities in the field of trade information also on the regional and inter-regional levels, such as, for example, with the Preferential Trade Area (PTA).

On the national level, ITC should make provisions to support an efficient functioning of trade information services. This could be ensured through periodic roving specialized consultancies and roving on-site training events for trade information personnel and the business community.

B. Institutional infrastructure for trade development

The main thrust of ITC's technical co-operation programmes in LDCs has been on the establishment and strengthening of the institutional infrastructure for trade development. This covers the whole range of

interrelated policies, technical co-operation programmes, specialized support services and the institutions for implementing them. In order to avoid fragmentation in the provision of trade development services, there is need to strengthen the institutional infrastructure in most LDCs.

To compete effectively abroad, and avoid the increasing concern of marginalization in international markets, LDCs will need to significantly improve both their planning for, and development of, both medium- and long-term trade promotion and export development strategies and specialized support services to exporters. Thus a continued strong government commitment to earn additional foreign exchange through a systematic programme of trade development and promotion is essential; supported by a positive operational environment for entrepreneurs and adequate resource allocation to the sector. To be successful these policy commitments must be based on a close working relationship with the business community. Hence a minimum institutional framework is required to facilitate dialogue between business and government, and to assist exporters to benefit from the policies.

Institution building for trade development is beset with serious difficulties in LDCs because of the severe shortage of trained personnel, both in the government and business sectors. There should obviously be a focal institution for trade development within the appropriate ministry or a parastatal body financed jointly by the government and the private sector, but most of the small LDCs should not be encouraged to set up separate institutions for different functions and services. Specialization by institutions is no doubt a desirable objective, but in small countries, there is neither the scope nor the need for this. Technical co-operation with these countries should, therefore, concentrate on the development of multi-disciplinary expertise within the same institution, particularly at the senior levels of management where the shortage of experienced personnel is more acute.

C. Specialized support services including the promotion of joint ventures

While the familiar approach of industrial development through import substitution has achieved some degree of success in certain relatively large LDCs, even these have serious handicaps in sustaining a vigorous export-based industrial sector. The lack of financial resources, industrial infrastructure, high cost of capital and other such inherent constraints of LDCs often make their manufacturing sector weak, their products uncompetitive and therefore, whatever industrial production has taken place in these countries has generally been mainly oriented to the domestic market. One solution to the problem of stimulating industrial production for export would be through joint ventures. However, these should be guided by clearly defined domestic laws that protect both partners as well as the government, in line with the best interests of the countries' long term goals and objectives. In addition, joint ventures should have definite provisions for buy-back commitments and export obligations so that the LDCs are not burdened with the responsibility of finding markets for the finished products. In general, while the larger companies in developing countries are able to find suitable joint venture opportunities on their own, the medium-sized enterprises may need assistance in entering into suitable export-oriented joint ventures. The role of ITC should be to assist LDCs in the preparation of pre-feasibility studies on export-oriented projects designed to attract both domestic and foreign investors. Apart from improving the export earnings of LDCs, joint ventures would also serve as catalysts for the industrial development process in these countries.

As discussed above, in order for LDCs to broaden their export base, where possible they need to diversify their economies in terms of products into agro-processing and the establishment of manufacturing industries. To have a significant increase in manufacturing output in the LDCs, large amounts of investments are required in these countries; these have not been forthcoming from the private sector; similarly the governments have not been able to raise the finances required.

Investment in manufacturing has not been forthcoming because of two main reasons. First, the investment climate, in terms of policy, financial and other incentives, infrastructure, institutions and political stability have been lacking in some LDCs. Second, domestic resources, in terms of finance, personnel and know-how, are low for any appreciable industrial development to be sustained. Under such circumstances, it would be very difficult to expect that LDCs will diversify their economies into manufacturing without a significant injection of capital into these economies which should be coupled with major policy changes.

The non-availability of facilities for mobilizing equity and term loan finance for export projects is at the heart of the problem of expanding production for export. Alleviation of this problem in close co-operation with other international agencies should constitute one of the priority areas for ITC technical co-operation assistance in the LDCs. This may not yield immediate benefits as export projects generally involve a long gestation period before a return on investment can be realized, but the long-term gains in terms of increased export production would exceed by far the costs involved.

The strategy should also have provisions to make available to the export sector the specialized trade promotion support services such as quality control, costing and pricing, export finance, packaging and labelling, trade information, etc. In response to country requests for ITC assistance in the specialized services, priority should be given to countries where the policy base, and the general economic environment are favourable to export development.

D. Import operations and import management

Developing countries in general, and LDCs in particular, need to have easy access to market information concerning imports, such as sources of supply, supply conditions, commercial practices and prices. At present, most of the LDCs depend on second-hand sources of information such as reports from press agencies, brokers and commodity exchanges, and have neither the knowledge nor the financial resources to acquire the latest and most reliable information. The countries, where ITC's technical assistance has been extended, have been exposed to the latest sources of supply of market information but often cannot sustain the acquisition of such information once the projects are completed.

Apart from assistance in obtaining market information, most LDCs also need assistance in improving the efficiency of the organizations and enterprises responsible for imports or providing import support services.

Since the import assistance requirements of every LDC are based on its own particular economic, financial and institutional conditions, technical co-operation in import operations should continue to be provided primarily at the country level, through national projects, with substantial resources to ensure adequate impact. ITC should also envisage, where feasible, the implementation of projects aimed at grouping certain inputs among neighbouring countries or amongst countries belonging to the same economic integration scheme.

The main ITC activities should be on the operational aspects of import management since import regimes in most LDCs are being liberalized. The greater involvement of the private sector in the import process in LDCs will be another important factor in the technical co-operation of ITC. More specifically, it is proposed that five areas of assistance receive priority attention:

(a) Development of national capabilities (systems, procedures, trained staff) for import management at enterprise level in the key areas of international procurement and materials management, with special emphasis to be given in areas such as quality assurance and price monitoring, planning and monitoring of import logistics, warehousing, provisioning for maintenance and spare parts replacement, to ensure that costly imported machinery and equipment are used throughout their expected life cycle.

(b) Co-operation with local management training and consultancy organizations on import skills development concentrating on curriculum development, strengthening of training facilities, selection and training of trainers in import management and development of training materials adapted to local requirements. Particular efforts will be made to use the large body of technical reference and training materials already developed by ITC, with the necessary adaptations in each case.

(c) Greater emphasis on assisting imports in priority sectors for economic development, such as the electrical sector, transportation and the major productive sectors. Particular attention should be placed on imported inputs for export-oriented production in order to enhance the competitiveness of exported products of LDCs in international markets.

(d) Establishing a system for disseminating to LDCs import-oriented market intelligence on a selective basis, covering as a priority the strategic and essential imported products. With due caution, efforts should also be made to extend the use of more advanced management tools, such as micro-computer based systems, wherever they are found to be feasible and likely to make a substantial contribution to better import management.

(e) Continue assistance to LDCs within the framework of economic adjustment programmes, often implemented in association with World Bank loans, thus facilitating the successful outcome of these programmes in the aspects related to procurement and materials management of imported machinery and equipment, raw materials and other goods required for economic development.

E. Human resource development

The acute shortage of trained personnel for implementing various components of trade development programmes as well as import operations and import management has been repeatedly stressed in this paper. The emphasis in ITC's direct training activities (workshops, seminars, etc) has been at the national level, i.e. such activities were typically undertaken within a country on the basis of a previous training needs and capacity analysis. Training programmes have therefore, been undertaken in a number of LDCs based on their individual needs but not for LDCs as a group.

Over the years, ITC activities in human resource development for developing countries as a whole have tended to focus on the following main areas:

(a) Determination of training needs and formulation of manpower development strategies.

(b) Co-operation programmes with national training institutions, aiming at contributing to the development of self-sufficiency in training for foreign trade. Such co-operation programmes form part of the national and subregional human resources development strategies, and typically contain elements such as training of trainers, advice on curriculum development, development of training materials, etc.

(c) Direct training within the framework of development co-operation projects.

(d) Development of an action programme for promoting the involvement of women in the trade development process.

All these aim at increasing the number of qualified personnel capable of contributing in the immediate term to the export development efforts of the LDCs.

ITC's strategy in the 1990s will be to assist national and subregional training institutions to introduce and/or increase training programmes in trade development and international marketing including an emphasis on commodity trading. Technical co-operation will concentrate firstly on supporting national initiatives to establish permanent training capacities or reinforce existing institutions and secondly on direct training activities in specialized subjects and technical areas in trade development to complement ongoing programmes. Direct training will consist of on-the-job training; upgrading of trade promotion and export marketing skills of key personnel, from trade-related public sector entities and from the business community in LDCs. This should be done by strengthening the managerial capacity in the training institutions implementing such programmes and by bridging the gap between the business community and the institutions providing non-academic training in the foreign trade sector.

ITC has developed an export executive development programme for senior managers from LDCs. This programme emphasizes practical approaches to problems and makes use of proven export marketing techniques, e.g. by requiring each participant to undertake practical project work, preferably based in his/her own company, under the guidance of ITC trainers and consultants. This represents a new orientation in human resource development for trade development in the 1990s and will make this type of training more effective.

In addition, it is expected that all training activities will be based on comprehensive national training needs and capacity analyses at both sectoral and enterprise level and will be targeted at both the business community and trade promotion personnel in government as well as government departments. In highly specialized areas fellowships may be made available to LDC candidates to participate in training programmes abroad.

F. Implementation

The trade development proposals presented above would be implemented essentially through technical co-operation projects supported by ITC's specialized technical services. Technical co-operation should:

(a) Have a very comprehensive emphasis on programming of the activities, in co-operation with national authorities.

(b) Be provided primarily at country and/or subregional level and particularly at the enterprise level, to ensure identification with the often very different national priorities and product/market and exporter/importer requirements in the foreign trade sector.

(c) Be programmed and implemented in both a short-term and long-term perspective.

(d) Have a strong enterprise oriented approach through co-ordinated production and market development in the export sector, in view of the very small number of exporting institutions and/or individuals in many LDCs.

(e) Assist in the expansion of intra-regional trade (South-South trade).

(f) Be co-ordinated with UNDP, UNCTAD, UNIDO and FAO to expand production for export and the relevant international commodity organizations in international marketing of commodities.

(g) Strengthen existing regional organizations, such as CEAO, ECOWAS, PTA and SADCC, which have LDC members.